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## Editors' Introductory Note

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## EDITORS' INTRODUCTORY NOTE

THIS *Symposium* issue is the byproduct of presentations made at an international conference held at the Meadows Museum at SOUTHERN METHODIST UNIVERSITY ([www.smu.edu](http://www.smu.edu)) on April 10-11, 2008 on *Trade Integration in the Americas: Revisiting the Washington Consensus*. This conference was a JNO. E. OWENS MEMORIAL FOUNDATION Conference, an annual collaborative academic venture of SMU and AUSTIN COLLEGE, Sherman, Texas ([www.austincollege.edu](http://www.austincollege.edu)).<sup>1</sup> This year, the Owens Foundation conference is part of the MARIAN TOWER INTERNATIONAL CONFERENCE SERIES, as it was organized by SMU's JOHN G. TOWER CENTER FOR POLITICAL STUDIES,<sup>2</sup> of which Professor James Hollifield is Director. We also wish to acknowledge especially the support and participation by THE DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE CANADA, THE LAW INSTITUTE OF THE AMERICAS (SMU DEDMAN LAW) AND THE SMU DEPARTMENT OF ECONOMICS. Special thanks needs to be extended also to the members of the conference's Planning Committee: Prof. Seyman Brown (Tower Center), Dr. Kathleen Cooper (Tower Center), Prof. James Hollifield (Tower Center), Prof. Luigi Manzetti (SMU PoliSci), Prof. Joe Norton (SMU-Dedman Law), and Prof. Thomas Osang (SMU Economics). The conference would never have come about were it not for the superb efforts of the Tower Center's senior administrative staff, Mrs. Lynne Novack and Mrs. Noëlle McAlpine. The student editorial staff (including Patricio Naboia and Akshar Chandrahas Patel, Symposium Editors) of the SMU INTERNATIONAL LAW REVIEW ASSOCIATION have done an excellent job in producing this *Symposium* issue.

In the context of the conference's and this *Symposium's* theme, the term "Washington Consensus" (WC) (*see* Appendix to this *Introductory Note*) refers to a set of ten orthodox (neo-liberal) economic development policies and instruments—basically, free trade, open economies, and fis-

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1. The JNO. E. OWENS MEMORIAL FOUNDATION was established in 1953 by Mrs. Owens in memory of her husband, a prominent Texas banker. During his lifetime, Mr. Owens was intensely interested in international economics, and it was his wish to establish a foundation that would memorialize his lifelong interest in international relations. The broad objective of the Jno. E. Owens Memorial Lectureship Series is to enlarge public understanding of international economic forces in the philosophical context of free trade.
  2. The TOWER CENTER was established by SMU to commemorate the late U.S. Senator John Godwin Tower, whose life was dedicated to understanding the needs and challenges of a world that has become a global village. The Tower Center focuses on undergraduate education—a center for political studies that is unique in its mission. It specializes in the study of national security, political economy, and American political development. The Tower Center seeks to educate and inspire a new generation of thoughtful leaders who will emulate John Tower's life of service and scholarship.

cal/monetary discipline—that became embedded within and promoted by a range of Washington-based intergovernmental, regional and domestic economic institutions (e.g., the IMF, World Bank, the Interamerican Development Bank and the U.S. Treasury). As discussed in John Williamson’s “Background Paper” in this *Symposium* issue, this term was coined in 1989 by Mr. Williamson, then and now with the Peterson Institute, as he observed and tried to anecdotally catalog what appeared to a disparate, but related policies/ “conditions”/instruments that various official intergovernmental and governmental authorities sought to promote (and often impose) upon Latin American nations (and also other economically troubled developing countries) as they endeavored to recover from the “Lost Decade” of the 1980s. The WC policies were also pushed in the early-mid 1990s with respect to the C.E.E. countries after the collapse of the Soviet Empire in assisting them to move toward market-based economies and democratic political institutions and with respect to numerous Asian economies seeking accelerated growth and economic development.

But, with the Asian Financial Crisis in the mid-1990s and subsequent crises in Argentina, Russia, Brazil, and Turkey in the mid-late 1990s, the WC and the use of it by the IFI’s and RFIs came under severe criticism, and launched an ongoing debate respecting and reevaluation of what are appropriate economic growth-developmental reform policies/approaches and implementation strategies. Though the WC was never intended to be taken as a fixed “rule book” imposed from “on high” or as an economic ideology, the term unfortunately came to become a flashpoint in the international economic development arena that tended to polarize between “free-marketeers, liberalizers and deregulators” and those advocating greater state control and intervention in the economy, but critical analyses of the WC also lead to considerable, ongoing constructive re-assessment of development objectives and instruments.<sup>3</sup> One current result of this re-assessment has been the G7/8 and the IFI’s adopting the UN Millennium Development Goals and its poverty reduction focus as the center-point of their development missions.<sup>4</sup> In addition, of note is the June 2008 World Bank commissioned *The Growth Report* (“*Spence Report*”): *Strategies for Sustained Growth and Inclusive Development* (see Document Section to this *Symposium* issue).

The thrust of this *Symposium* issue is not to debate the success-failure of the WC or whether the WC is “dead”: it is to use the WC as a reference point for considered the current development issues facing future economic integration in the Western Hemisphere, and particularly as to Latin America. For example, it needs to be kept in mind that belief in the importance of adhering to the “Washington Consensus” led to President George H.W. Bush’s 1990 *Enterprise for the Americas Initiative* and the

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3. Cf Narcis Serra and Joseph E. Stiglitz (eds.) *The Washington Consensus Reconsidered: Towards a New Global Governance* (2008) and Pedro-Pablo Kuczynski and John Williamson, *After the Washington Consensus: Restarting Growth and Reform in Latin America* (2003).

4. See United Nations, *The Millennium Development Goals Report* 2007.

launch of the NAFTA process. In December 1994, following passage of NAFTA, thirty-four democratically elected heads of Western Hemisphere governments met in Miami and declared their mutual commitment to implementing a Free Trade Area of the Americas (FTAA) agreement by 2005. Hopes were high early in the current decade that such an achievement was possible. No longer. The FTAA process appears stalled (as does the broader WTO Doha Round negotiations). Given the current difficulties in pushing forward trade integration, it seems appropriate and timely to re-examine the pitfalls and prospects for the road ahead. What are the reasons for our current inability to advance the hemisphere-wide trade agenda? What progress is being made in major Latin American countries from the view of policymakers and scholars? What potential strategies might be used for revival of the process and for ultimately establishing hemispheric trade integration? These are the issues our stellar group of authors will be dealing with in this issue—from a broad hemispheric geopolitical context and as to specific Latin American country context.

We, the Editors (professional and student), are most appreciative of the Tower Center's permitting our journal to publish the most timely and important *Proceedings* from its April 2008 conference. We realize that events occurring in recent months post-conference as to the dramatic unfolding the current Global Credit Crisis have led many to pronounce the "death" of the WC.<sup>5</sup> However, from our journal's perspective, while these subsequent events undoubtedly will accelerate and modify the trade-development reform debate as to Latin America, we view these events as enhancing the importance of the discussions contained in this *Symposium* issue. We hope our readers will agree.

*The Editors*  
*Law and Business Review of the Americas*

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5. See, e.g., Helene Cooper and Charlie Savage, "A Bit of 'I Told You So'- Outside World Bank Talks," N.Y. TIMES, Oct. 10, 2008, at A14, wherein a senior World Bank staff member is quoted as saying, in light of the recent Global Credit Crisis, "There's no question the Washington consensus is dead. . .the free-market consensus. . .died at the time of the \$700 billion bailout."

## APPENDIX “WASHINGTON CONSENSUS”

(Derived from Williamson Background Paper, *infra*.)

- 1. Fiscal Discipline. This was in the context of a region where almost all the countries had run large deficits that led to balance of payments crises and high inflation that hit mainly the poor because the rich could park their money abroad.
- 2. Reordering Public Expenditure Priorities. This suggested switching expenditure in a pro-poor way, from things like indiscriminate subsidies to basic health and education.
- 3. Tax reform. Constructing a tax system that would combine a broad tax base with moderate marginal tax rates.
- 4. Liberalizing Interest Rates. In retrospect I wish I had formulated this in a broader way as financial liberalization, and stressed that views differed on how fast it should be achieved.
- 5. A Competitive Exchange Rate. I fear I indulged in wishful thinking in asserting that there was a consensus in favor of ensuring that the exchange rate would be competitive, which implies an intermediate regime; in fact Washington was already beginning to subscribe to the two-corner doctrine.
- 6. Trade Liberalization. I stated that there was a difference of view about how fast trade should be liberalized.
- 7. Liberalization of Inward Foreign Direct Investment. I specifically did not include comprehensive capital account liberalization, because that did not command a consensus in Washington.
- 8. Privatization. This was the one area in which what originated as a neoliberal idea had won broad acceptance. We have since been made very conscious that it matters a lot how privatization is done: it can be a highly corrupt process that transfers assets to a privileged elite for a fraction of their true value, but the evidence is that it brings benefits when done properly.
- 9. Deregulation. This focused specifically on easing barriers to entry and exit, not on abolishing regulations designed for safety or environmental reasons.
- 10. Property Rights. This was primarily about providing the informal sector with the ability to gain property rights at acceptable cost.

The three big ideas here are macroeconomic discipline, a market economy, and openness to the world (at least in respect of trade and FDI). These are ideas that had long been regarded as orthodox so far as OECD countries are concerned, but there used to be a sort of global apartheid which claimed that developing countries came from a different universe which enabled them to benefit from (a) inflation (so as to reap the inflation tax and boost investment); (b) a leading role for the state in initiating industrialization; and (c) import substitution. The Washington Consensus said that this era of apartheid was over.